This copy for accountant

Zomeworks Corp.
Po Box 712
Albuquerque, NM 87103
(505) 242-5354

January 15, 1982

TO: The Shareholders of Zomeworks Corporation

RE: The Annual Report

Dear Stockholders,

I am pleased to send you this report. Our profits have been excellent this last year and appear to be at least as good for the first quarter of 1982.

Many companies are fearful that Reagan will stop the solar tax credits and that they will be out of business. Zomeworks has products, particularly our water heater components and Sunbender™ reflector shades, that are so cost effective we do not feel an end to the tax credits would hurt our business.

We are continuing to improve our products. This last year we introduced our Hugger™ heat exchanger for solar water heaters. Sales of these exchangers are good. We also introduced a convection check valve which allows collectors to be placed at the same elevation as the tank. We manufacture both the exchangers and the check valves in our shop.

We had already ordered the plastic parts for a new water filled freeze protector for plants when our patent attorney found a just issued patent for the almost identical invention. After negotiations with the inventors and their fledgling company, we invested $10,000 in their company and are also distributing this useful product, Wall-O-Water™, in New Mexico.

Sincerely,

Steve Baer

Steve Baer
President

SB/lh
Enclosures

ZOMEWORKS CORPORATION

FINANCIAL STATEMENTS
OCTOBER 31, 1981

(UNAUDITED)

Prepared by

Michael S. Elliston
P.O. Box 596
Corrales, New Mexico
87048

ZOMEWORKS CORPORATION
BALANCE SHEET
OCTOBER 31, 1981 and 1980
(UNAUDITED)

ASSETS

	1981	1980
CURRENT ASSETS		
Cash	$ 61,575	$ 33,957
Accounts Receivable	45,342	34,344
Inventory		
Raw Materials	53,835	47,853
Work in Progress	3,976	3,529
Finished Goods	11,874	1,846
Other Current Assets	1,940	1,866
Total Current Assets	$ 178,542	$ 123,395
PROPERTY ACCOUNTS (AT COST)		
Buildings and Land	89,346	88,380
Machinery and Tools	20,657	18,246
Furniture and Fixtures	9,266	6,079
Library	1,193	1,033
	120,462	113,738
Less Accumulated Depreciation	(28,328)	(22,773)
Total Property Accounts	$ 92,134	$ 90,965
OTHER ASSETS (NET OF AMORTIZATION)		
Patent Costs (1981 - $ 4,769; 1980 - $12,669)	10,306	21,341
Total Other Assets	$ 10,306	$ 21,341
TOTAL ASSETS	$ 280,982	$ 235,701

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
BALANCE SHEET
OCTOBER 31, 1981 and 1980
(UNAUDITED)

LIABILITIES AND CAPITAL

	1981	1980
CURRENT LIABILITIES		
Notes Payable, current portion	$ 6,708	$ 4,942
Accounts Payable	20,450	16,737
Customer Deposits	3,610	16,886
Other Payables		
Taxes	22,946	2,471
Interest	1,099	1,995
Salaries, Officers	11,892	22,230
Bonus	4,000	
Dividends	8,880	
Total Current Liabilities	$ 79,585	$ 65,261
OTHER LIABLILTIES		
Notes Payable, long term portion	20,132	25,599
Notes Payable, Officers	6,000	6,000
Total Other Liabilities	$ 26,132	$ 31,599
Total Liabilities	$105,717	$ 96,860
STOCKHOLDER'S EQUITY		
Common Stock - 1,500,000 Shares Authorized 1,068,510.5 Issued and Outstanding at $.05 Par Value	53,400	53,400
Paid Capital	223,997	223,997
Retained Earnings	(95,132)	(131,556)
	182,265	145,841
Less Treasury - 180,000 Shares at cost	(7,000)	(7,000)
Total Capital Accounts	175,265	138,841
Total Liabilities and Capital	$280,982	$235,701

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
STATEMENT OF NET INCOME
FOR THE YEARS ENDED OCTOBER 31, 1981 and 1980
(UNAUDITED)

	1981	1980
INCOME		
Sales, less Sale Discounts	$ 512,766	$ 325,086
Miscellaneous Income	1,632	2,644
Rental Income	4,810	4,830
Total Income	$ 519,208	$ 332,560
COST OF GOODS SOLD		
Labor	39,021	38,184
Materials	250,401	168,537
Other Direct Costs	12,165	8,598
Applied Shop Overhead	20,795	22,661
Total Cost of Sales	$ 322,382	$ 237,980
GROSS PROFIT	$ 196,826	$ 94,580
OPERATING EXPENSES		
Accounting and Legal	4,899	1,802
Advertising	18,003	21,053
Bad Debts (NOTE 1)	6,234	933
Depreciation and Amortization	5,039	5,730
Insurance	3,217	3,388
Interest	2,343	2,938
Salaries, Officers	33,414	20,520
Salaries, Office	9,088	13,874
Taxes	8,957	4,375
Supplies and Postage	11,050	7,949
Telephone	4,034	3,800
Utilities	1,392	1,206
Research and Development Costs	4,035	2,943
Other Costs	1,578	1,561
Total Operating Expenses	$ 113.283	$ 92,072
NET OPERATING INCOME	$ 83,543	$ 2,508
GAIN (LOSS) ON SALE OF ASSETS		(236)
EXTRA ORDINARY COSTS (Patent Write-offs)	(9,363)	(11,808)
NET INCOME (LOSS) BEFORE TAXES	$ 74,180	$ (9,536)
LESS PROVISION FOR FEDERAL INCOME TAX	(10,878)	
NET INCOME (LOSS) TO RETAINED EARNINGS	$ 63,302	$ (9,536)

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
STATEMENT OF RETAINED EARNINGS
FOR THE YEARS ENDED OCTOBER 31, 1981 and 1980
(UNAUDITED)

	1981	1980
RETAINED EARNINGS, (DEFICIT) Beginning Balance	$ (131,556)	$ (122,020)
NET INCOME (LOSS)	63,302	(9,536)
DIVIDENDS DECLARED	(26,640)	
NET INCOME ADJUSTMENT FROM INVENTORY REVALUATION	(238)	
RETAINED EARNINGS, (DEFICIT) Ending Balance	$ (95,132)	$ (131,556)
NET INCOME (LOSS) PER SHARE ON 1,068,010.5 Shares	.06	(.01)

The accompanying notes are an integral part
of these financial statements.

ZOMEWORKS CORPORATION
STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR YEARS ENDED OCTOBER 31, 1981 and 1980
(UNAUDITED)

	1981	1980
SOURCES OF WORKING CAPITAL		
Net Income before Federal Income Taxes	$ 74,180	$ (9,536)
Plus: Items not Requiring Cash		
Depreciation, Amortization and Write-Offs	16,352	21,821
Long Term Debt Assumed		2,377
Sale of Common Stock		5,000
Total Sources of Working Capital	$ 90,532	$ 19,662
APPLICATION OF WORKING CAPITAL		
Property and Equipment Acquired	$ 6,724	$ 6,049
Dividends	26,640	
Federal Income Taxes	10,878	
Reduction of Long Term Debt	5,467	5,906
Additions to Patent Costs		89
Total Application of Working Capital	$ 49,709	$ 12,044
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 40,823	$ 7,618
CHANGES IN WORKING CAPITAL COMPONENTS		
Increase (decrease) in Current Assets:		
Cash	$ 27,618	$ 2,561
Accounts Receivable	10,998	13,467
Inventory	16,457	2,963
Other Current Assets	74	193
Decrease (increase) in Current Liabilities:		
Accounts Payable	(3,713)	440
Notes Payable, current portion	(1,766)	(1,405)
Other Payables	(22,121)	(864)
Customer Deposits	13,276	(9,737)
NET INCREASE (DECREASE) IN WORKING CAPITAL	$ 40,823	$ 7,618
BEGINNING BALANCE OF WORKING CAPITAL	$ 58,134	$ 50.516
ENDING BALANCE OF WORKING CAPITAL	$ 98,957	$ 58,134

The accompanying notes are an integral part
of these financial statements.

ZOMEWORKS CORPORATION
CONTRIBUTION BY SALES ACCOUNT
FOR YEARS ENDED OCTOBER 31, 1981 and 1980
(UNAUDITED)

	1981		1980	
	SALES	PROFIT	SALES	PROFIT
Beadwall	43,117	19,522	33,843	6,862
Skylid	105,832	58,996	43,894	8,483
Reflectors & Skylights	70,393	25,497	33,542	13,093
Retail Store Sales	121,034	24,753	64,964	18,490
Nightwall	16,887	11,253	14,976	9,620
Solar Electric	41,790	9,534	60,368	12,387
Water Heaters	90,263	28,091	48,286	9,176
All Other Products	29,892	19,180	32,687	16,469
Total	519,208	196,826	332,560	94,580

The accompanying notes are an integral part of these financial statements.

ZOMEWORKS CORPORATION
NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 1981 and 1980
(UNAUDITED)

NOTE 1: SIGNIFICANT ACCOUNTING PRINCIPLES

The books of Zomeworks Corporation are maintained on the Accrual Basis of Accounting:

NOTE 2: ACCOUNTS RECEIVABLE

In fiscal 1980 the company created a reserve account for bad debts to more accurately reflect existing conditions.

NOTE 3: INVENTORIES

In fiscal 1980 the company began using the last-in, first-out method of costing their raw materials inventory. All other inventories are valued at cost or market using the first-in, first-out rule to determine cost.

NOTE 4: PROPERTY ACCOUNTS

The company has elected to use the Accelerated Cost Recovery System for depreciation on property placed in service this year.

NOTE 5: NOTES PAYABLE

	PRINCIPAL BALANCE	INTEREST RATE
BUFCO (Insurance Note)	1,240	19.0%
First Interstate Bank (copier Note)	2,376	15.8%
Real Estate Contract	23,224	8.5%

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